

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Leominster Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: January 31, 2020

This Commission is hereby furnishing you with approval of the funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY20 and is acceptable under Chapter 32.

The schedule is based on an actuarial valuation using an investment return assumption of 5.5%, which we believe is extremely conservative for funding purposes. The Board has used this assumption since its January 1, 2014 actuarial valuation. Despite that assumption, the system's funded ratio is 90.4%. For comparison, we did a very rough estimate of plan liabilities using a 6.50% discount rate. Under this assumption the plan would be virtually fully funded (99.4%) with an unfunded liability (UAL) of approximately \$1.2 million.

This schedule maintains the level of the FY19 appropriation (\$9.07 million) through FY22 with a lower appropriation payment in FY23 of \$5.3 million when the system is projected to become fully funded. The appropriation for FY24 is \$2.3 million. This amount reflects normal cost plus net 3(8)(c) payments. Generally we do not recommend reducing the appropriation to the level of the normal cost when a system attains 100% funding. Instead we recommend a more gradual reduction to mitigate potential investment and/or demographic losses.



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TO: Leominster Retirement Board
FROM: John W. Parsons, Esq., Executive Director
RE: Approval of Funding Schedule
DATE: February 3, 2020

You indicated you would be performing another valuation as of January 1, 2020. Our understanding is that you plan to maintain the 5.5% investment return assumption as part of that actuarial valuation.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Enc.

LEOMINSTER RETIREMENT SYSTEM

FUNDING SCHEDULE with 3(8)(C) - 3 years: contributions level with FY2019 appropriation
RP-2014 adjusted to 2006, projected generationally using MP-2016; 5.50% Discount Rate

| Fiscal Year | Normal Cost | Unfunded Liability | Funding Amortization of UAAL | Net 3(8)(c) Payments | Schedule Contribution |
|-------------|-------------|--------------------|------------------------------|----------------------|-----------------------|
| 2020 | 2,155,547 | 21,920,190 | 6,762,385 | 156,480 | 9,074,412 * |
| 2021 | 1,920,425 | 16,242,668 | 6,967,247 | 186,740 | 9,074,412 |
| 2022 | 1,992,441 | 9,785,570 | 6,895,231 | 186,740 | 9,074,412 |
| 2023 | 2,067,157 | 3,049,308 | 3,049,308 | 186,740 | 5,303,206 ** |
| 2024 | 2,144,676 | - | - | 186,740 | 2,331,416 |

Amortization of Unfunded Liability as of July 1, 2020

| Year | Type | Original Amort. Amount | Percentage Increasing | Original # of Years | Current Amort. Amount | Years Remaining |
|------|-------------|------------------------|-----------------------|---------------------|-----------------------|-----------------|
| 2021 | Fresh Start | N/A | N/A | 3 | N/A | 3 |

* A contribution of \$2,312,027 was made 7/1/2019, with the remainder to be made 3/1/2020.
Contributions after Fiscal 2020 were assumed to be made in the beginning of the fiscal year.

** Contribution decreases in FY2023 to finish amortizing the unfunded liability